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The British Exit from the European Union – the challenges for business

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Following the vote to leave the EU, the Government is likely to trigger exit negotiations set out under Article 50 of the Lisbon Treaty. The British Government does not have to do this immediately and Prime Minister Cameron has signalled that this process will start after the election of a new Conservative party leader in October 2016. The specified maximum time frame for Article 50 negotiations is two years, with the option to extend this if it is unanimously supported by the remaining EU member states.

This means that there will be no immediate change (unless the UK Government takes unilateral action) in a range of areas that are of particular importance to the business sector in the UK, including immigration status of staff and participation in EU-funded projects. The EU Directive governing recognition of employment

(2013/55/EU), which sets parameters for the movement of workers across the EU and specifies a range of requirements in relation to employment, will also remain in place pending negotiations and decisions on free movement.

The more immediate issues for businesses are therefore likely to result from the diversion of political attention and civil service capacity to the impact of the referendum result. This is undoubtedly going to be a time of significant policy change in relation to business architecture, and has potential implications for the unity of the UK. Although changes in relation to immigration is unlikely to be immediate, the implications could be profound.

There has been much speculation throughout the referendum campaign on the constitutional implications for the UK union. With Scotland voting unambiguously to

remain in the EU it is no surprise that Scotland's First Minister has announced the likelihood of a second independence referendum with preparations for the legislation allowing for the referendum now underway. The referendum result will inevitably divert civil service attention and capacity to working out the policy and legislative implications of withdrawal from the EU.

For Government, this presents a risk of distraction from the important decisions. The priority will be to continue to meet actively with the relevant officials and continue to press the case for swift decisions and clear communication to the business sector. This focus on EU matters also makes it less likely that there will be new major legislation in other areas. In the longer term, there are a range of issues that have emerged:

- Implications of negotiations in relation to free movement and

the UK's approach to Directive 2013/55/EU;

- Access to EU research funding into research: for what period of time can UK institutions continue to access EU funding programmes and networks on current terms? What are the immediate implications for people involved in current EU funded research projects and for those considering submitting applications? Is there any impact on existing EU-funded consortia and contractual entitlements and obligations under the existing grant agreements? After formal exit, will the UK be able to access any research or mobility networks and programmes? If so, on what terms? What will be the impact on current structural (ERDF) funding from now until these programmes end in 2020?

- Mobility of staff and implications for workforce supply;
 - The future of the UK dimension when Scotland votes for independence;
 - Immigration status of EU staff: following the date that the UK formally leaves the EU, will EU staff currently working in the UK be granted the right to remain in the UK permanently? Will visas be required for EU staff and/or students to work? If so, on what terms? When would any new visa requirements come into place, and what transition arrangements are foreseen? Are there any reassurances that can be provided to current and prospective EU staff in the UK regarding immigration status? Does the contractual status of EU staff make a difference to their right to remain (i.e. will staff on fixed term contracts and permanent contracts be treated differently?)
 - Funding from UK Government: Will the UK Government increase spending on research and innovation to a level that at least meets any shortfall of institutional funding from loss of access to EU programmes, as indicated during the Vote to Leave campaign? Will the UK Government provide additional funding to support international networks, mobility and promotion of the UK as a destination for talented international staff and students to help counter some of the most negative impacts of leaving?
- Article 50 does not specify how much the withdrawal agreement itself should say about the future relationship between the EU and the

departing Member State. Any sort of detailed relationship would have to be put in a separate agreement that would have to be negotiated alongside the withdrawal agreement using the detailed processes set out in the EU Treaties. It does not specify whether these negotiations should be simultaneous or consecutive. This would be a matter for negotiation.

extremely challenging - we do live in interesting times.

For business, all of these issues will put the United Kingdom under significant sustained strain. The country will have to make several strategic decisions. It is therefore, not unreasonable that the Government will centre on securing access to the single market in the first instance. Britain will not automatically gain Swiss-style access to the single market outside the EU without the free movement elements. The United Kingdom is facing challenges and hurdles which are not insurmountable but they will be